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Czech Republic

Exporter Guide

Exporter Guide Annual 2013 – Czech Republic

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Report Highlights:

Czech Republic's economy is in recovery mode after weathering a double downturn in 2009 and 2011/2012. Fitted with a strategic location and the second highest GDP per capita within Central Eastern Europe the country offers suppliers of consumer-oriented food items (snack food, sauces, and meat), ingredients (dried fruits and nuts) and other products (i.e., panel wood) market opportunities not elsewhere achievable. In 2012 agricultural imports reached value of nearly \$9 billion. In 2013 such trade is on track to exceed this amount.

Post:
Prague

SECTION I: MARKET OVERVIEW

On May 1, 2004 the Czech Republic joined the European Union (EU). With accession into the EU internal barriers to trade in industrial goods were removed. The process of accession had a positive impact on reform in the Czech Republic, and new EU directives and regulations continue to shape the business environment.

In 2013 the Czech economy is expecting to register a moderate recovery, with the positive trend strengthening towards the end of the year. Real GDP is projected to register constant growth into 2017 while the unemployment rate is expected to decrease gradually.

Over the last four years the Czech economy has reacted as a wave. Following a sharp decline in 2009, growth was registered in 2010 and 2011. The performance declined starting the second half of 2011 through 2012 in reaction to the aggravated debt crisis in the euro zone. For 2012, the Czech GDP registered a one percent decline while the unemployment rate increased slightly to reach 6.8 percent.

On January 1, 2013, the Czech government increased the basic VAT rate from 20 percent to 21 percent while the 'advantageous' VAT rate was increased from 14 percent to 15 percent. The 'advantageous' rate is used for food and non-alcoholic drinks, pet food, live animals, seeds and plants, medicines and medical tools, nappies/diapers, babies' car seats, books, magazines and maps.

Key demographic developments

Czech Republic might seem like a small market with 10.5 million inhabitants but it boasts a per capita GDP of \$27,600 (2012), the second highest among Central Eastern European countries. Located at the very heart of Europe, it is strategically positioned for any eastward trade expansion as it augments sales into larger markets (like Poland) which have fewer financial resources for such business activity.

Many consumers will readily admit that their economic situation does influence their purchasing decision. These consumer surveys showed that consumption of several food items declined when their nominal price increased.

Item	Consumption in kg per capita			Percent Index
	2010	2011	2012	2012 vs. 2011

Meat total (in carcass weight)	79.1	78.6	77.4	98.5
Out of which: Pork	41.6	42.1	41.3	98.1
Beef	9.4	9.1	8.1	88.9
Veal	0.1	0.1	0.1	100.0
Poultry	24.5	24.5	25.2	102.7
Fish total	5.6	5.4	5.7	106.7
Vegetable edible fats and oils	16.3	16.3	16.4	100.6
Cheese	13.2	13.0	13.4	102.9
Eggs	13.5	14.1	13.6	96.4
Cereals (in flour, excl. rice)	108.7	118.7	113.3	95.4
Sugar	36.0	38.6	34.5	89.4
Potatoes	67.3	70.0	68.6	98.1
Pulses	2.5	2.3	2.6	113.9
Vegetables	79.7	85.4	77.8	91.2
Fruit	84.0	79.4	74.6	94.0
Spirits (40 proof, Liters per capita)	7.0	6.9	6.7	97.5
Wine (Liters per capita)	19.4	19.4	19.8	102.1
Beer (Liters per capita)	144.4	142.5	148.6	104.3

Source: Czech Statistical Office, www.czso.cz

Consumer Buying Habits

Over the last couple years with the economy under stress, Czech consumers have shown a more restrained, more considerate purchasing behavior that reflects a stronger focus on essential products. Although price plays a crucial role in buying decisions among many consumers, they are not willing to renounce requirements for quality. As a result, consumers are devoting more time to researching for the most advantageous prices on desired products. (Source: Euro monitor)

Product Specific Markets

Soft drinks – concentrates

In 2013 Czech consumers continued to save on soft drinks and they opted more for liquid concentrates for two reasons. Firstly, liquid concentrates mixed with water is a less expensive drink that extends the purchasing power of Czech households. Secondly, liquid concentrates continued to be perceived as a healthy drink and the offer of such products having higher fruit content (promising rich taste), no artificial colorants and preservatives (promising natural taste) enlarged over the last three years. A market exists for U.S. high quality juice concentrates with high fruit content and natural taste.

Dried processed foods

Czech households continue to save on foodservice by preparing meals at home. In 2013 trend is expected to support increased sales of dried pasta, rice, and plain noodles at the retail level. In general,

consumption of many dehydrated products is falling in the country, with retail sales of instant noodles, dehydrated soup, instant soup and dried ready-to-eat meals expected to decline in 2013. Czech consumers are shifting towards healthier lifestyles and are cooking more often at home using raw ingredients. That trend runs counter to a growing demand by the Czech food service sector for U.S. dried baking mixes which is looking for greater convenience while maintaining quality for the increasingly mobile population.

Canned food

In 2013 an increasing number of Czech consumers purchased premium quality canned/preserved food items. Leading producers of canned/preserved food are generally aware of Czech consumer preferences and have had multiple new product launches to further develop this trend. For example, in 2013 Hame, a leading Czech processor extended its premium product range 'Hame Excellent Quality with Pork Sausages' and 'Pork Goulash.'

Frozen foods

Czech consumers are buying less frozen processed food, which face stiff competition from fresh and chilled products. The health and wellness trend continues to develop within the category, reflected in the relatively good performances of frozen processed fish/seafood products and frozen processed vegetables. Czech consumers remain price sensitive in the continuing economic environment. U.S. fish and high quality juice concentrates supported by good promotions will have strong market appeal with Czech consumers.

Pet food

In 2012 sales of dog food grew three percent by volume and more than four percent by value. This trend continued in 2013 with clear demand showing for prepared, balanced dog food formulas with quality guiding purchases. Owners who had been feeding their pets with home-made food are shifting to prepared food driven as awareness emerges on animal health matters. In 2012 an estimated 41 percent of Czech households owned at least one dog.

In 2012, sales of cat food grew three percent by volume and five percent by value. The health and wellness trend is growing among cat owners with prepared foods expected to dominate sales for 2013. For wet cat food, products containing pieces of meat in sauce (chunks) with added ingredients such as vegetables, sunflower oil, minerals, and vitamins are driving sales. For dry cat food, the emphasis is on nutritional value and flavors. Cats are more demanding in terms of flavor than dogs, and so manufacturers are offering a broad spectrum of flavors. The most saleable flavors remain chicken, poultry, beef, and fish (salmon and tuna).

In 2012, the two most important cat food distribution channels were pet shops with a 37 percent value share and hypermarkets with a 25 percent value share. Pet shops sell a wide product assortment, but not so much in the economy price segment as this channel attracts consumers interested in super-premium and premium products.

Advantages and Challenges for U.S. Suppliers on the Czech Market:

Advantages	Challenges
Improving economic situation and growing purchase power	Higher competitiveness of some EU products due to elimination of tariffs between the EU and CR
High quality of U.S. products and growing trend toward eating more healthily; an opportunity for U.S. organic products	Lower purchase power compare to the EU and high prices of U.S. food products
Good infrastructure, most importers speak English	Relatively small volumes with high transportation costs
Changing lifestyle, eating habits – eating out is more and more popular	Lack of awareness of U.S. products and high promotional costs
The number of tourists and Americans living in Prague is increasing and they recognize high quality U.S. food products	Low appreciation of high quality of U.S. products (e.g. nuts); price still plays a key role
Willingness to try new products; innovative products and packaging increase demand	Food safety issues (concern raised by press about products of newer technologies)

SECTION II. EXPORTER BUSINESS TIPS**Local business customs**

Food retailers have their own purchasing sections and buy products from either domestic suppliers or Czech importers. However, after the EU accession and free trade within EU 25, local retail chains are seeking supplies of less expensive, better quality products from across the enlarged supply field. So far U.S. products are being sourced from Czech importers specialized on various commodities. In the future they may seek out large European wholesalers that carry U.S. products but this channel has not yet emerged.

General consumers tastes and preferences

The traditional Czech cuisine is stodgy and high in calories, heavily biased towards meat, saturated fat, and carbohydrates. The changing lifestyles of Czech consumers led to increased interest in functional and healthy food. It can be observed that Czech cuisine contains more fresh fruit and vegetables, poultry and fish, healthier alternatives to bakery products such as wholegrain and graham flour products, cereals, vegetable oils, rice, and pasta. Czech consumers are increasingly health conscious and lead ever more dynamic lifestyles. These lifestyle developments are, however, mainly a characteristic of the urban population. This change in the eating habits of consumers, along with the boom in international restaurants and bistros and the popularity of cookery programs on television has meant that Czech consumers are increasingly experimenting with food and trying new recipes, with the result that Italian, Indian, Chinese, Thai, and Greek cuisine have become increasingly popular.

Food standards and regulations

Please see the [Food and Agricultural Import Regulations and Standards report no. E70048](#), prepared by USEU Brussels, and accessible on-line at the [GAIN database](#).

General import and inspection procedures

All products exported to the Czech Republic must comply with EU import regulations. Complete information on EU import rules for food products may be found at:
<http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/>

For information on the tariff and [statistical nomenclature and on the Common Customs Tariff](#) please refer to the Official Journal of the European Union, Regulation (EU) No 927/2012.

Incoming goods go either into customs storage or a freight forwarders' facility at the airport (the Czech Republic has only one international airport). Storage is carried out under the supervision of the customs office. Packaged foods are randomly selected by custom officials who pull samples for ingredient verification. Veterinary certificates are bi-lingual and may be found at the State Veterinary Administration webpage:
<http://eagri.cz/public/web/en/svs/portal/trade-with-vet-commodities/>

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Retail Sector

The Czech retail environment is highly competitive, with a relatively high number of multinational chained retailers present in the country. Although most leading retail chains continue to expand in the Czech Republic, their expansion has not been as dynamic as it had been prior to 2008. This deceleration, caused by the gradual saturation of the retail sector and the global financial crisis at the end of 2008, brought about a reduction in consumer expenditures and shopping as a whole. As the competition intensified and consumer demand remained weak, retailers started to focus on ways to attract consumers and gain competitive edges, in order to maintain or increase sales.

Internet penetration in Czech households continues to expand the number with access increasing from 32 percent in 2007, to 49 percent in 2009, to 62 percent in 2011. The majority of households have broadband access – the number with broadband access reached 59 percent in 2011, compared to 44 percent in 2009. The number of Czechs who use the internet (aged 16+) rose from 45 percent in 2007, to 56 percent in 2009, to 65 percent in 2011. The popularity of internet retailing is increasing concurrently with Czech internet users whose on-line purchases rose from 34 percent in 2007, to 39 percent in 2009, to 43 percent in 2011.

In the Czech Republic, internet retailing is relatively developed, accounting for a 6 percent share of retail value sales (CZK38.7 billion) in 2012.
(Source: Euro monitor)

Top food retailers and their market share	2008	2009	2010	2011	2012
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Tesco Stores CR AS	5.4	5.4	5.6	5.8	6.1
Kaufland Ceska Republika vos	4.7	5.0	5.5	5.7	5.8
Ahold Czech Republic as	5.5	5.4	5.3	5.5	5.5
Penny Market spol sro	2.5	3.8	3.8	3.8	3.9
Globus CR ks	3.1	3.2	3.3	3.4	3.4
Lidl Ceska republika vos	2.6	2.8	3.0	3.1	3.1
Billa sro	2.4	2.8	2.9	2.9	3.0
Various owners	2.2	2.2	2.2	2.1	2.0
Spar Ceska Obchodni Spolecnost sro	1.6	1.6	1.6	1.6	1.6

(Source: Euro monitor)

Foodservice market

In 2012, more expensive restaurants struggled as the number of people prepared to spend higher amounts on dining out declined. Only those consumer foodservice outlets offering promotional discounts maintained or showed sales increases that year. Insecurity over their economic situation made consumers more careful when spending money on consumer foodservice. In general, special menus and loyalty programs are now considered to be essential elements of success in consumer foodservice.

U.S. food products are sold in high-end restaurants mainly located in Prague and in a limited number in the country's other major cities - Brno and Karlovy Vary (which attracts a large number of tourists).

Demand for high quality coffee is rising and there are several coffee shop chains, including Starbucks that are quite successful in large cities.

Food processing

Czech Republic has a developed food processing sector. Some Czech companies were bought in the 1990's by international companies (Danone, Unilever, Pepsi, Philip Morris etc.). To compete after the EU accession in 2004 food processors modernized their facilities. Strong processing sectors include: dairy, poultry, meat, confectionary, soft drink production.

Domestic industry capacity versus availability of supplied products

In the 1990's, multinational companies (Master Foods, Unilever, Danone, Nestle, Phillip Morris, Coca Cola, Pepsi Cola) purchased many local food production facilities and invested in modernization. Usually these companies operate plants in different countries that focus on different product lines (e.g. Master Foods produces snack bars in the Czech Republic and pet food in Hungary) that supply the whole region.

Czech food industry is strong in production of beer, mineral water, meat products, dairy, and confectionary. Salt water fish, seafood and many fruit and vegetables have to be imported since

geographic location and climatic conditions do not support domestic production.

Trends in promotional/marketing strategies and tactics

The retail sector is highly competitive and relies heavily on food product promotions to attract consumer interest. Several promotional tools are commonly utilized: distribution of two-week promotional leaflets to households, in-store tastings, and product displays in special promotional aisles. Though expensive, TV advertisements are also becoming more popular. Multinational companies such as Danone and Jim Beam who can afford to pay the high cost for TV time are frequent users of this media channel.

Trends in tourism sales, holiday gift sales, and Internet sales

Each year about nine million tourists visit the Czech Republic. In 2012 they spent over US\$7.3 billion while in country. Germans are the leading tourists, around one quarter of all foreign visitors, followed by Italians, Austrians, French, Brits, Dutch, Poles, and Americans. In 2012 the largest increase in the number of tourists came from Russia, U.S., South Korea, China, and Slovakia.

Prague, the capital, is the most popular destination. It is also the center of commercial activity in the country. Retailers usually introduce new or more expansive products in Prague before introducing them to other Czech cities. Large restaurant capacity in Prague is an opportunity for U.S. fish and wine. Internet food sales are marginal.

SECTION IV: BEST HIGH-VALUE PRODUCT PROSPECTS

The following high value products are considered to have good market prospects:

Dried fruits and nuts (almonds, raisins, prunes, pistachios, pecans, peanuts)

Fresh beef

Various mixes and ingredients (e.g. for ice cream, baking ingredients)

Frozen fish fillets

Alcoholic beverages (distilled liquor, wine, alcohol mixtures for cocktails)

Rice (wild rice, rice mixes)

Pet food

Tobacco

Veneer sheets

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

American Embassy

Office of Agricultural Affairs

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Federation of Food and Drinks Industries of the Czech Republic

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Appendix – Statistic

A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (\$Mil)/U.S. Market Share (percent) [1]	\$8,806/0.92
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share	\$6,223/0.88

(percent)	
Edible Fishery Imports From All Countries (\$Mil)/U.S. Market Share (percent)	\$238/2.39
Total Population (Millions)/Annual Growth Rate (percent)	10.2/(-0.15)
Urban Population (Millions)/Annual Growth Rate (percent)	1.276
Number of Major Metropolitan Areas ^[2]	1
Size of the Middle Class (Millions)/Growth Rate (percent)	n/a
Per Capita Gross Domestic Product	US \$27,600
Unemployment Rate (percent)	6.8
Average Monthly Food Expenditures, USD (per household)	\$1,215
Percent of Females Economically Active ^[3] (2011)	46
Exchange Rate	(US\$1 = CZK19.58)

Data for 2012.

1/ UN Trade database

2/ Population in excess of 1,000,000

3/ Percent against total number of women (15 years old or above).

B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Imports to the Czech Republic in the past four years 2009 - 2012:

HTS Number	Item	Czech total import in \$mill (2009)	Import from the U.S. in \$mill. (2009)	Czech total import in \$mill. (2012)	Import from the U.S. in \$mill (2012)

0201	<i>Beef, fresh</i>	81	0.1	82	1.2
0303	<i>Fish, fz, excl. fillets</i>	16.5	1	18	0.4
0304	<i>Fish fillets, ch/fz</i>	75	4.9	68	5.3
0802	<i>Nuts</i>	32	11.7	46	18
080620	<i>Grapes, dried</i>	9	2	12	2.4
1005	<i>Corn</i>	29	1.5	62	0.2
1006	<i>Rice</i>	54	0.4	55	0.8
2106	<i>Food prep., nonspecific.</i>	285	22	305	15
2204	<i>Wine</i>	170	2	192	1
2208	<i>Spirits and liqueurs</i>	103	6.8	109	6.9
2309	<i>Pet food</i>	209	2.9	248	4.3
2401	<i>Tobacco unprocessed</i>	70	5	113	7.3
4407	<i>Wood sawn/chippd/slicd</i>	161	1	166	1
4408	<i>Veneer sheets/ sheets of plywood</i>	40	3.6	38	6.7
5201	<i>Cotton not carded or combed</i>	15	0	12	0.5

Note: The U.S. share on total import does not always reflect real numbers as transshipments through Germany and Netherlands are not included.

C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

Akmis (importer of cereals, pulses, fish, texmex, sauces etc.)

Mr. Gregorios Miskos

Mendíkù 11,

Praha 4 - Michle 140 00

Tel.: +420 244 470 635

E-mail: info@akmis.cz

Website: www.akmis.cz

Animalco (importer of meat)

Tomáš Kutzendorfer

Director of Meat Division

Na Kocince 1

160 00 Prague 6

Tel.: +420 220 107 111
E-mail kutzi@animalco.cz

Cell: +420 602 359 641
Website: www.animalco.cz

Bidvest (importer of fr/frzn fish, fresh meat, frozen vegetables, frozen bakery products, French fries)
V Růžovém údolí 553

Kralupy nad Vltavou 278 01

Tel.: +420 315 706 111

Fax: +420 315 706 222

Jan Valecka

Import Manager

E-mail: Jan.valecka@bidvest.cz

Website: www.bidvest.cz

BONAVITA (importer of cereals)

Nelly Prochazkova

Import Director

Hlavní 32

251 63 Kunice - Vidovice

Tel. +420 323 665 148

E-mail : nelly@bonavita.cz

Website: www.bonavita.cz

Candy (importer of petfood)

Ms. Vladimira Dvorakova

Hradcanska 403

530 06 Pardubice

Tel: +420 466 742 501,

Cell +420 603 804 908

E-mail: Zdenka.dvorakova@candy.cz

Website: www.candy.cz

Cerozfrucht (importer of produce)

Mr. Petr Bouma

Commercial Dept.

Na výsluní 765/23

100 00 Praha 10

Tel: +420 283 001 231

E-mail: Petr.bouma@ceroz.com

Website: www.ceroz.com

CIPA (importer of fish, meat, pasta, produce, cheese, oils, cakes)

Ms. Alena Cervenkova

Director and owner

Horejsi nabrezi 368/II

15000 Praha 5

Tel: +420 222 733 393

Fax: +420 257 316 659

E-mail: cipa@cipa-gastro.cz

Website: www.cipa.cz

Countrylife (importer of organic products)

Mr. Otakar Jiranek

Nenačovice 87

266 01 Beroun 1

Tel.: +420 311 712 411

E-mail: jiranek@countrylife.cz

Website: www.countrylife.cz

GASTON (importer of canned fish, fruit and vegetable, oil, rice)

Rudolf Kafka

Import Director

Kvitkova 4703

760 01, Zlin

Tel.: +420 577 011 112

Fax.: +420 577 212 472

E-mail: kafka@gaston.cz

Website: www.gaston.cz

Hame (imports meat, pulses)

Na Drahách 814, 68604 Kunovice

Česká republika

Import Department

Tel.: +420 572 534 657, 658

E-mail: import@hame.cz

Website: www.hame.cz

HORTIM International (importer of produce)

Kšírova 242

619 00 Brno

Česká republika

Tel.: +420 543 522 222

Fax: +420 543 522 333

E-mail: brno@hortim.cz

Website: www.hortim.cz

IBK Trade (importer of dried fruits and nuts)

Mr. Bohumil Kratochvíl

Director

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161 00 Praha 6

Tel.: +420 220 562 158

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E-mail: info@ibk-trade.cz

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Lagris (importer of rice, pulses, pasta, potatoes)

Mr. David Brezik

Director of Imports and Exports

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Tel.: +420 577 658 364

E-mail: david.brezik@podravka.cz

Website: www.lagris.cz

LinkAmerika (importer of sweets and snacks)

Na Stare silnici 99

252 68 Knezeves u Prahy

Czech Republic

Lubomír Parusev

International Key Account Manager

Tel.: +420 220 514 340

E-mail: iparusev@linkam.cz

E-mail: linkam@linkam.cz

Website: www.linkam.cz

Poex Velke Mezirici (importer of cereal, snacks and sweets)

Trebicka 384

594 01 Velke Mezirici

Tel: +420 566 502 711

Fax: +420 566 520 480

Website: www.poex.cz

VOG (importer of dried fruits and nuts, canned fruit and vegetables, fish, wine)

Vsechomy 43

251 63 Strancice

Tel.: +420-323 610 504

Fax: +420-323 610 583

Website: www.vog.cz